

Coadec Submission: International Trade Committee - Inward Foreign Direct Investment Inquiry

1. The Coalition for a Digital Economy (Coadec) is an independent advocacy group that serves as the policy voice for Britain's technology-led startups and scaleups.
2. Coadec was founded in 2010 by Mike Butcher, Editor-at-Large of technology news publisher TechCrunch, and Jeff Lynn, Executive Chairman and Co-Founder of online investment platform Seedrs.
3. Coadec works across a broad range of policy areas that matter the most to startups and scaleups: Access to Talent, Access to Finance & Technology Regulation. We represent the startup community on the Government's Digital Economy Council, and the UK on the international organisation Allied for Startups Board.
4. Coadec welcomes the opportunity to respond to the Committee's questions on the National Security and Investment (NS&I) Bill.
5. Coadec wholeheartedly supports the intention of the NS&I Bill. We are concerned that the Bill is currently too wide in scope and will cause unintended consequences, including damaging UK inward investment. We believe that, as currently drafted, the Bill does not manage a sufficient balance between security and investment. Without urgent amendments we believe it is likely to hinder the UK's relative attractiveness for global investment.
6. The NS&I Bill is more restrictive than comparable regimes in several key criteria, including equity thresholds, extra-territoriality, and obligations on domestic investors. It could disproportionately impact sectors in which the UK needs to extend its existing global lead.
7. Nearly every sector and tech vertical required for a prosperous and dynamic economy in the immediate future is currently included in the proposed regime. This includes: communications; data infrastructure; energy; transport; artificial intelligence; advanced robotics; computing hardware; cryptographic authentication; advanced materials; quantum technologies; engineering biology; satellite and space technologies. Because the proposed regime does not distinguish within the sectors, it is likely to mean a huge number of (for example) irrelevant AI companies are called in. This will waste both company and civil servant resources and likely make capturing the concerning cases harder.
8. Under the proposed regime, high penalties and the risk of retrospective call-in powers is likely to create an exponential increase in both voluntary and mandatory notifications. With no turnover or share of supply thresholds, the smallest startup or SME will also be included.
9. Timing is critical to most startup funding rounds. We believe the Government's proposed Investment Security Unit will struggle to conclude investigations before deals are negatively impacted.
10. We are also concerned that the wide ranging definition of "risk to national security", as well as the extensive powers given to the BEIS Minister to call in businesses for review, risks investment decisions unintentionally becoming politicised.
11. In summary, as currently drafted, Coadec feels the NS&I Bill's broad range of transactions subject to potential intervention, the time that an investigation could take, and the high probability that these would become politicised, is likely to cause significant uncertainty among businesses and investors as well as dampening investment and innovation. We would be delighted to brief the Committee in more detail if this would be of use.